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VICE PRESIDENT, INTERNATIONAL TRADE
SARA LEE BRANDED APPAREL

AND

CO-CHAIR OF THE STEERING GROUP OF THE

BUSINESS COALITION FOR U.S.-CENTRAL AMERICA TRADE

BEFORE THE

SUBCOMMITTEE ON THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON INTERNATIONAL RELATIONS

OF THE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

TRADE AGREEMENTS IN LATIN AMERICA

APRIL 13, 2005

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Mr. Chairman, Congressman Menendez, Members of the Committee. Good afternoon. My name is Jerry Cook. I am Vice President of International Trade for Sara Lee Branded Apparel.

I welcome the opportunity to appear before you today to discuss U.S. trade agreements with Latin America and to express strong support in particular for the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA) not only on behalf of Sara Lee Knit Branded Apparel, but also as Co-Chair of the Steering Group of the Business Coalition for U.S.-Central America Trade and on behalf of the Emergency Committee for American Trade (ECAT), which serves as the secretariat to the Business Coalition, and the American Apparel & Footwear Association (AAFA), another leading member of the Coalition.

- Sara Lee Branded Apparel is the largest U.S. apparel company. Our Brands include Bali, Playtex, WonderBra, Hanes, Champion, Just My Size, and Loveable and span across all segments of intimate wear, underwear, sleepwear, casual wear and athletic wear for consumers throughout the region and more than 80 nations. We have a highly developed supply chain that includes U.S. textile assets as well as extensive investments throughout the Western Hemisphere. We are focused on servicing our customers where they are throughout the Hemisphere and the world. We invest in building communities by volunteering and providing financial support as well as investments where we have operations and consumers.

- The Business Coalition for U.S.-Central America Trade comprises over 400 companies and associations representing all major sectors of the economy with members in all 50 states that have come together to support implementation of the CAFTA. The Business Coalition was formed to support the negotiation of a comprehensive and high standard agreement. Once those negotiations were completed, the Business Coalition has worked to support the implementation of the CAFTA by the U.S. Congress.

- ECAT is an association of chief executives of major American companies with global operations who represent all principal sectors of the U.S. economy. ECAT was founded more than three decades ago to promote economic growth through expansionary trade and investment policies. Today, the annual sales of ECAT companies total $2 trillion and the companies employ approximately five and a half million people.

- AAFA is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. AAFA's mission is to promote and enhance its members' competitiveness, productivity and profitability in the global market by minimizing regulatory, commercial, political, and trade restraints.

The Subcommittee's hearing today is particularly timely as the United States is involved in several important trade negotiations in Latin America and prepares to consider the most recently negotiated agreement, with Central America and the Dominican Republic.

At present, the United States has two free trade agreements (FTAs) with Latin American countries in force:

- The North American Free Trade Agreement (NAFTA), with Mexico and Canada, which entered into force on January 1, 1994; and
- The U.S.-Chile FTA. which entered into force on January 1, 2004.

Tbe United States has also completed negotiations and is awaiting implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA) with six Latin American countries (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua). And it is in the midst of one bilateral, one sub-regional and one regional negotiation as follows:

- U.S.-Panama FTA negotiations, which began in April 2004;
- U.S.-Andean FTA negotiations, with Colombia, Ecuador and Peru, which began in May 2004; and
- Negotiations to create a Free Trade Area of the Americas among the 34 democracies in the region, which were launched in 1998.

In addition to these free trade agreements and negotiations, the United States has extended duty-free unilateral trade preferences to many countries in the region through the Generalized System of Preferences and the Caribbean Basin Initiative, as expanded through the Caribbean Basin Economic Recovery Act and the Caribbean Basin Trade Partnership.

I would like to focus my remarks this afternoon on three topics:

1. The interrelationship between trade and investment, economic growth and living standards, and democracy and the rule of law
2. Lessons from NAFTA; and
3. The Importance of CAFTA.

The Interrelationship Between Trade and Investment, Economic Growth and Living Standards, and Democracy and the Rule of Law.

Trade and investment liberalization are vital elements that support economic growth here at home and throughout the global economy. In turn, that economic growth helps to promote better living standards, to reduce poverty, to increase stability and to bolster democracy and the rule of law.

The United States is the world's largest trading nation, accounting for approximately 14 percent of world goods trade and 17 percent of world services trade. In 2004, U.S. trade and investment, including imports and exports and payments and receipts on foreign investment, increased by 16 percent to $3.7 trillion. As a share of the U.S. economy, U.S. trade and investment has grown from 13 percent of GPD in 1970 to 31.5 percent in 2004.

For the United States, trade and investment have improved our living standard. Jobs directly supported by exports equal over 12 million, 2.9 million more than in 1990. These jobs pay between 13 and 18 percent more on average than other jobs. Imports help support another 10 million domestic jobs. Imports have improved the variety, quality and availability of products throughout the United States, have increased the competitiveness of U.S. companies, and have been a significant factor in dampening inflationary pressures. Inward and outward investment has improved the competitiveness of U.S. industries and support jobs domestically.

At the same time, programs, such as the Trade Adjustment Assistance program that was renewed and expanded in the Trade Act of 2002, address the reality that even while the United States as a whole benefits from trade and investment liberalization, some parts of the economy will face adjustments that require focused and appropriate assistance.

Globally as well, trade and investment play critically important roles in promoting economic opportunities and growth, helping to reduce poverty and increasing standards of living. Trade and investment liberalization, including the World Trade Organization (WTO) and its predecessor (the GATT or General Agreement on Tariffs and Trade) have played pivotal roles in promoting U.S. and global economic growth and lifting hundreds of millions of people out of poverty over the past five decades. Since the founding of the multilateral trading system and the eight successful rounds of trade negotiations, the world economy has grown six-fold and per capita income worldwide has tripled.

With regard to foreign direct investment (FDI), the United Nations Conference on Trade and Development explained in its 2001 report, *FDI in Least Developed Countries at a Glance*, that increased foreign direct investment is of "particular importance" to achieve sustainable poverty-reducing growth and development in the poorest countries.

Economic growth, the reduction of poverty, and higher standards of living are important to support the stability countries need to establish and sustain democracy and the rule of law and to provide alternatives to their citizens to illegal activity, such as illegal narcotics distribution, gangs, or illegal arms trafficking.

Central America has been, in particular, an important example of this interrelationship. Some twenty years ago, this Subcommittee and the Congress were considering a range of issues related to Central America. – communist insurgencies, military dictators and regional instability. Even the possibility of a free trade agreement with any of these countries, let alone one FTA with all five Central American countries that make up the CAFTA and the Dominican Republic, was simply not in the realm of anyone's imagination.

But in 1983, at a time when insurgencies were still being confronted, then President Ronald Reagan proposed and the U.S. Congress overwhelmingly and on a bipartisan basis approved the Caribbean Basin Initiative – CBI – that created new economic incentives for the soon-to-be emerging democracies of Central America and the broader Caribbean region. I think most will agree that CBI, including its expansion through the Caribbean Basin Economic Recovery Act in 1990 and the Caribbean Basin Trade Partnership Act (CBTPA) in 2000, have been enormously helpful to promote economic growth and opportunities, stability and democracy in these countries.

As the region's stability has grown, we have been able to expand our partnerships during the 20 plus years that we have invested in the region. Sara Lee Branded Apparel invested in both partnerships and self-owned operations in the region. The ability to grow our operations successfully was dependent on:

- U.S. partnership with the region;
- Expanding democratic and economic transformation; and
- Predictable and near-by supply chain centers.

The success of the region to provide the foundation for our ability to achieve a competitive platform has enabled us to sustain many competitive models from around the world. The ability to continue to foster the relationship over-time has been challenging. We have weathered hurricanes, infrastructure issues, port issues and other turmoil in the region. Our ability to succeed in the Hemisphere is dependent on U.S. policy that not only fosters good partnerships, but openly encourages advancements and predictable growth and change.

As I will discuss in a few moments, however, these programs can no longer keep pace with the global environment and a new, more modern relationship is needed.

Lessons from NAFTA

Any discussion of trade agreements with Latin America will, for many, start with the first comprehensive free trade agreement – the NAFTA, which joined the economies of the United States and Canada (already integrated in many ways through the prior U.S.-Canada FTA) with Mexico's economy. During Congressional consideration of the NAFTA, proponents and opponents alike made enormous claims of the potential effect of the NAFTA on the economies of our countries, our jobs, our labor and environmental conditions and our futures in the global economy. Now more than 10 years after its implementation, an intensive debate continues on its effects for the United States and Mexico.

Critics like to focus on increased U.S. imports from Mexico and trade deficits, and the challenges faced by workers and farmers in Mexico. They typically ignore the very significant (and unrelated) impact of the 1995 Mexican peso crisis on the Mexican economy and how NAFTA helped Mexico recover more quickly than it otherwise would have.

For the U.S. economy, NAFTA has, in fact, had important positive effects: It has expanded an already vibrant trade relationship. Since 1993, the value of two-way U.S. trade with

Mexico has more than tripled, from $81 billion to $267 billion. Canada and Mexico are now America's number one and two trading partners and export markets, respectively. And contrary to the critics, employment in the United States rose – from 120 million in 1993 to 135 million in 2001, before some recent declines, caused not by NAFTA, but by broader economic circumstances in the U.S. and global economies.

For Mexico, the results have been even more important. At the end of 2003, the World Bank published an extensive study on the NAFTA, *Lessons from NAFTA for Latin American and Caribbean (LAC) Countries: A Summary of Research Findings*, by Daniel Lederman, William Maloney, and Luis Servén, that analyzed the effects of NAFTA on the Mexican economy, separating out the effects of the peso crisis. The key conclusions of this comprehensive study include the following:

- "NAFTA has brought significant economic and social benefits to the Mexican economy."

- "Contrary to some predictions, NAFTA has not had a devastating effect on Mexico's agriculture. In fact, both domestic production and trade in agricultural goods rose during the NAFTA years." The report goes on to explain why, citing factors as increased demand and productivity.

- "In spite of popular perception, there is little ground for concerns that NAFTA, or FTAs more generally, are likely to have a detrimental effect on the availability and/or quality of jobs. . . . . In fact, Mexican firms, as those of the region, more generally, that are exposed to trade tend to pay higher wages, adjusted for skills, are more formal, and invest more in training."

While citing the positive impacts, the report also noted that the NAFTA was insufficient to ensure "economic convergence" of the economies, concluding that the "key constraints" resulted from institutional gaps and deficiencies in education and innovation policies of the Mexican government and, to a lesser degree, constraints *within* the NAFTA that lowered benefits, particularly strict rules of origin in textiles and apparel and trade remedy laws.

As the U.S. Congress prepares to consider approval and implementation of the CAFTA and the Administration continues negotiations with the Andean Pact and Panama, these conclusions are particularly relevant.

How CAFTA Improves Upon the NAFTA Model

CAFTA is a comprehensive, commercially meaningful and high standard agreement. It has very important economic, development and foreign policy implications for the United States and the six countries involved – Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. It also has important implications for other negotiations that are critically important, including negotiations to establish a Free Trade Area of the Americas, which have nearly stalled, as well as global negotiations in the WTO.

CAFTA will move our countries from outdated unilateral preference programs to two-way free trade, opening up Central America's and the Dominican Republic's markets to U.S. goods, services and agriculture. Many of these benefits for U.S. farmers, manufacturers and service providers are immediate, including:

- duty-free access immediately for 80 percent of U.S. consumer and manufactured goods;

- duty-free access immediately for 50 percent of U.S. agricultural goods;
- the immediate elimination of key non-tariff, services and investment barriers.

For consumer and industrial goods, the region's remaining tariffs phase out over ten years; for agricultural goods, the phase-out is longer, typically, 15 or 18 years. Many of the agricultural access provisions were the result of work by industries on both sides of the "border" that reached agreement on how best to enhance opportunities for U.S., Central American and Dominican farmers.

CAFTA also includes important protections for investment, intellectual property, transparency in customs administration and services regulation and new access and transparency for government procurement. These provisions are important not just to promote trade and investment, but also to promote accountability, transparency and adherence to the rule of law.

It is also clear that CAFTA makes some important improvements upon the NAFTA-model, including the following.

- CAFTA incorporates the most concrete capacity-building mechanism of any FTA. As the CAFTA was being negotiated, the Administration provided technical assistance to promote agricultural diversification and other activities in the region. At the end of last year, Congress made an even greater commitment, through the appropriation of $20 million for labor and capacity building in the CAFTA countries.

- CAFTA provides for more gradual phase-outs of sensitive agricultural tariffs than the NAFTA, helping to promote a better transition than the Mexican Government implemented.

- CAFTA also includes stronger procurement and greater transparency provisions than the NAFTA, helping again to promote accountability and greater respect for the rule of law.

CAFTA and Textiles and Apparel

Most importantly for my company, but also, I believe, the region, CAFTA also includes much more commercially meaningful rules of origin for textile and apparel products than either the NAFTA or the current CBTPA preferences, which as a result of changes in the global marketplace – most notably the elimination of global quotas on January 1, 2005 – have seriously undermined the viability of the current textile and apparel rules.

U.S. unilateral preference programs have been extremely important in establishing an integrated textile and apparel trade partnership between the United States and the countries of the Caribbean Basin, including Central America.[1] The textile and apparel sector is now the second

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[1]In 1983, Congress approved Caribbean Basin Economic Recovery Act (CBERA or CBI as it is commonly known) to provide duty-free access for a finite period of time for many imports from the Caribbean Basin region provided the country undertook various economic and political commitments. In 1986, the Reagan Administration created a program to provide for guaranteed quota-access for garments imported from the region made entirely from U.S. components that were made from U.S. fabric and U.S. yarn. Although guaranteed quota-free access, these garments still had to pay duty on any foreign value added, such as the value of the regional assembly operations. In 1990, Congress modified CBERA to make the non-textile and apparel provisions permanent. In 2000, Congress created a special eight-year program to provide for duty free-access to the U.S. market for garments made primarily with U.S. fabrics and U.S. yarns through the Caribbean Trade Partnership Act, enacted as part of the Trade and Development Act of 2000.

largest employer overall in these six countries, providing some of the better paying jobs in a region where subsistence agriculture engages the predominant part of the workforce. Without CAFTA, these jobs will increasingly be lost – as they are already starting to be in several countries, signaling increased poverty in a region where 47 percent – almost half – of the population lives in poverty today.

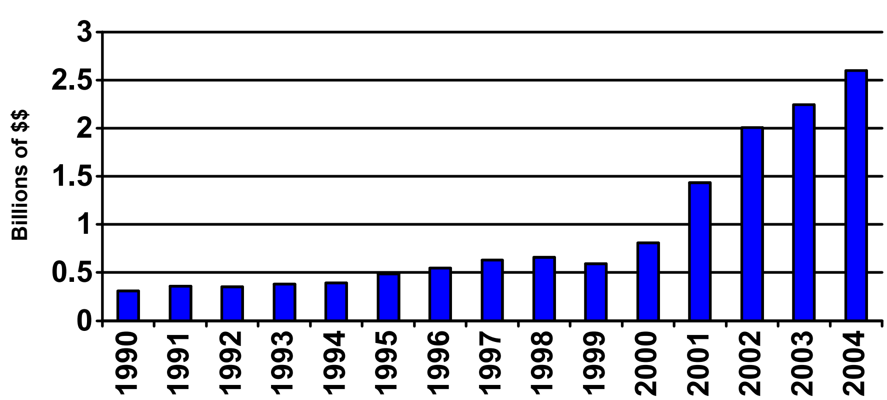
Textile and Apparel Benefits Provided Through Unilateral Preference Programs

Under U.S. unilateral preference programs with the Caribbean Basin, U.S. fabrics or U.S. yarns, made primarily with U.S. cotton or other U.S. man-made or natural fibers, are exported to textile and apparel firms in Caribbean Basin countries. That fabric is cut and sewn or otherwise assembled into garments and exported back to the United States. Increasingly, companies have co-mingled U.S. inputs with those from the Caribbean Basin or other parts of the world to maintain competitive supply chains.

U.S. yarn and fabric companies have responded to this partnership with enthusiasm. U.S. textile companies maintain sales and service offices throughout Central America, and several have established joint ventures to create vertical supply chain relationships to ensure more integrated use of their products by their customers. Many are frequent exhibitors at the various trade shows in Central America, such as the Vestex show in Guatemala, or Material World in Miami.

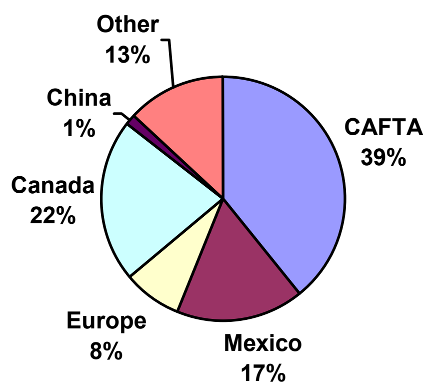
As a result, the U.S. yarn and fabric industries have become increasingly dependent upon the Caribbean Basin, particularly Central America and the Dominican Republic, for their exports. From 1999 to 2004, U.S. fabric and yarn exports grew significantly in response to Congressional passage of CBTPA, which created fresh incentives for the export of U.S. yarns and fabrics to the Caribbean Basin for processing into fabrics and garments. (See Figure 1). During that time, U.S. yarn exports grew 442 percent while U.S. fabric exports grew 365 percent. Combined, U.S. yarn and fabric exports to the CAFTA countries alone expanded by about $2 billion between 1999 and 2004, representing in that period nearly all growth of U.S. yarn and fabric exports worldwide.

Figure 1: U.S. Yarn and Fabric Exports to the Caribbean Basin



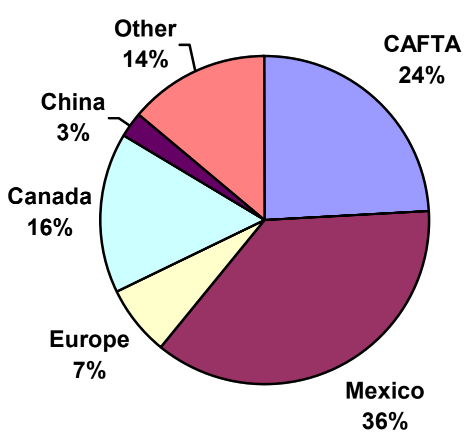
Through this partnership, U.S. yarn spinners and U.S. fabric mills have become dependent upon their export relationship with the CAFTA region. In 2004, U.S. yarn exports to the CAFTA region surpassed $560 million, making it the destination for nearly 40 percent of all U.S. yarn exports (see Figure 2). Counting Canada and Mexico, total U.S. yarn exports to North America and the CAFTA countries equaled about 78 percent of total U.S. yarn exports.

Figure 2: Destination of U.S. Yarn Exports - 2004



A similar story exists with respect to U.S. fabric exports. Total U.S. fabric exports to the CAFTA region in 2004 approached $2 billion, representing about a quarter of all U.S. fabric exports worldwide (see Figure 3). Including Mexico and Canada, total U.S. fabric exports to North America and the CAFTA region equaled 76 percent of total U.S. fabric exports worldwide.

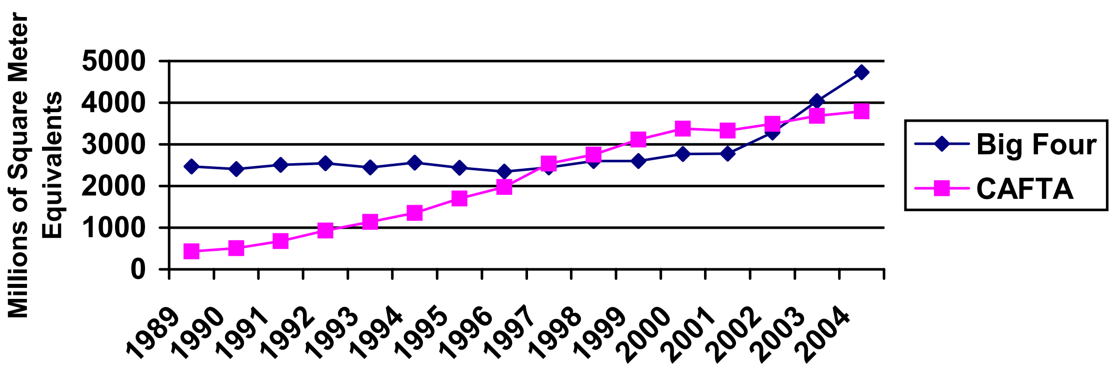
Figure 3: Destination of U.S. Fabric Exports -- 2004



Challenges to the U.S.-Central America-Dominican Textile and Apparel Partnership

Only one percent of total U.S. yarn exports and three percent of total U.S. fabric exports were shipped to China in 2004, even though that country represents more than 14 percent of all U.S. apparel imports. That last point is particularly troubling given the incredible growth that China (and Taiwan, Macau, and Hong Kong – traditional outward processing partners of China) has had over the past decade. Figure 4 shows the growth in apparel imports from the CAFTA countries and China since 1989. While imports from the Caribbean Basin region steadily increased for the first 10 years of that period, imports over approximately the same period from the so-called "Big Four" remained largely stable. In 2001, as two of them – Taiwan and China – entered the WTO, and as the quota removals began to take effect in more significant apparel categories, imports from the Big Four increased, while the rate of increase in imports from the CAFTA countries, even with the CBPTA duty-free preferences, decelerated.

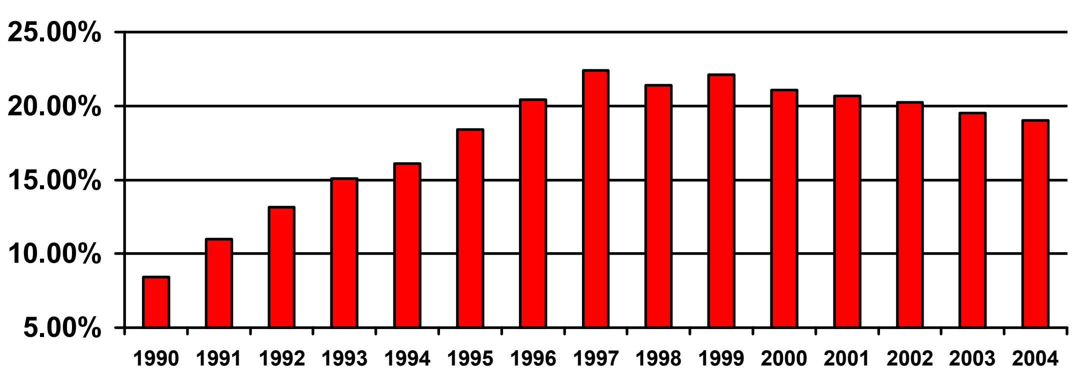
Figure 4: Annual Apparel Imports (CAFTA Countries and Big Four)



Source: US Department of Commerce

When examined from the perspective of market share, as is seen in Figure 5, the situation grows even more dire with market share attributed to CAFTA country apparel imports – that is apparel imports with predominately U.S. content – losing grand rapidly.

Figure 5: CAFTA Share of U.S. Apparel Import Market



The bad news gets worse when we examine the experience of textiles and apparel under NAFTA. That textile and apparel trade relationship – once praised as a model of regional integration – has fallen into disrepair through a combination of burdensome and unpredictable regulatory hurdles that have been pushed by both the U.S. and the Mexican governments. Somebody once said that the NAFTA is like the computer you had on your desk 10 years ago. When it came out of the box, it was top of the line. But without upgrades, it has grown irrelevant.

Figures 6 and 7 show how U.S. exports and imports have grown, and then withered, as public policies and national interests have conspired to keep NAFTA free of the necessary upgrades. Apparel imports from these two countries – again with predominantly U.S. content – are declining and have been for several years. U.S. exports, although up somewhat in 2004, have been declining for several years as well. Recalling that Canada and Mexico, in addition to the CAFTA countries, were the other top markets for U.S. yarns and fabrics make for a very bleak picture.

Figure 6: Market Share of Apparel Imports under NAFTA

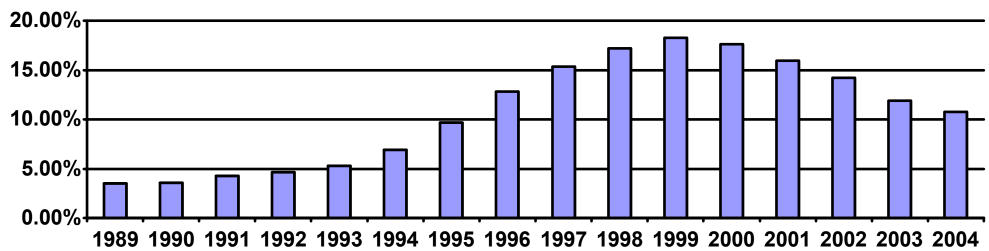
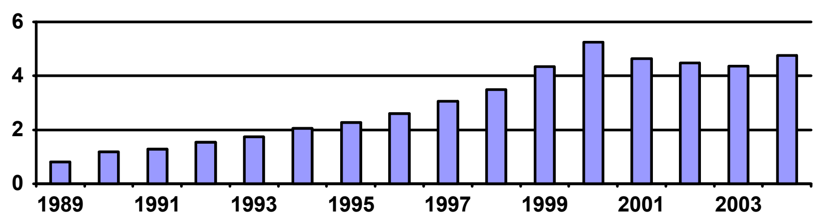


Figure 7: U.S. Exports of Yarns and Fabrics to NAFTA Countries (Billions of Dollars)



In short, both the U.S.-Central American-Dominican and the NAFTA textile and apparel partnerships are eroding as the global marketplace has changed, but the rules of origin have remained the same.

For Sara Lee Branded Apparel, success in the marketplace is based on servicing our customers with the right product at the right time. As a result, we have grown to become a $4.5 billion apparel group in the Americas. When we first went to the CAFTA region over 20 years ago, the region was lacking most of the core development and democracy achievements of today. Twenty years later, we are operating in vibrant democracies, nations that have achieved significant reforms via economic partnership with the United States and U.S. companies.

Our investments in Costa Rica, Honduras, El Salvador and the Dominican Republic have not only secured our future, but have been a critical part of their development and benefited the U.S. economy as well. The increasing respect within these countries for intellectual property rights, investor rights, and transparency in government and on-going developments to provide better opportunities for their citizens have been cornerstones to our success in the marketplace. Our strong presence in the Dominican Republic and Central America also has led to stepped up purchases of U.S. cotton, U.S. yarns and U.S. fabrics that are beneficial to many cotton growers, yarn producers, and textile mills in this country, as well as to vibrant U.S. port and service operations. For the state of North Carolina alone, apparel and fabric exports to the CAFTA countries have more doubled since 1999 to $1.3 billion in 2004, representing more than 50 percent of North Carolina's exports of these products.

Without the passage of CAFTA, however, we would have to make different choices of where and how to service our customers tomorrow. Without CAFTA, it will be extremely difficult to sustain our current base and relationships in the Hemisphere in the years ahead.

Without CAFTA, there would also be increasing turmoil and instability in the textile and apparel sector, particularly given the lifting of global quotas on textiles and apparel. Sourcing decisions, already increasingly complex, would be even more so, and there would be far less predictability and stability than have existed prior to the removal of quotas, with very negative effects on the hundreds of thousands of workers in the CAFTA region.

For Sara Lee and many others, CAFTA presents an essential opportunity to continue to grow and develop this highly successful U.S.-Central American-Dominican economic partnership that has been the bedrock for sustainable reforms and developments within the region. That progress is only sustainable with the near-term passage of CAFTA to encourage existing producers to stay in the Hemisphere and further encourage new opportunities to flourish in this Hemisphere as opposed to Asia.

At the same time, we need to make sure that we undertake other policies to support this trade relationship. Ending "banking" hours by Customs officers at our southern ports and welcoming the Central American ports into the Container Security Initiative framework are just two additional policy options that we can and should embrace.

<u>CAFTA's New Opportunities</u>

CAFTA presents an incredibly important opportunity to change this erosion in competitiveness, at least for Central America and the Dominican Republic. It does so by building on the current program in the following ways, all of which are designed to maximize the production of textiles and apparel that rely upon a North American supply chain and that use U.S. textile inputs.

1. **CAFTA is permanent and creates a predictable environment**. The current duty preference program expires in three years. With long-term planning in five-year increments, many apparel companies are already factoring in the CBTPA's expiration.

2. **CAFTA is reciprocal.** For the first time, U.S. companies will be able to export their textile and apparel products duty free to the region. Currently, if we want to export to the region, we have to pay duties on the inputs, or re-export the product to the United

States so it can be re-exported back to Central America. CAFTA will eliminate that complexity, while leveling the playing field with duty-free imports we currently get from the region.

3. **CAFTA is broader.** The current program covers only garments. CAFTA will create new opportunities for the export of yarns, fabrics, and home furnishings.

4. **CAFTA is flexible.** The current program has numerous restrictions that limit the ability to use U.S. inputs or to combine U.S. inputs with limited regional inputs. For example, every year, about this time, we lose the ability to sell U.S. spun yarn to the region to make t-shirts because of the cap imposed on the import of those T-shirts into the U.S. market. CAFTA will create more ways to make garments, most of which will be made mostly with U.S. inputs.

5. **CAFTA is simple.** The current program eats up much of our duty savings in excessive paperwork and reporting requirements. Compliance is important, but when the cost of the compliance per garment exceeds the margin of duty for that garment, the incentive to use U.S. inputs evaporates. CAFTA relies on the documentation that is generated through the normal course of business to ensure proper use of the program.

6. **CAFTA is Predictable**. The current trade program does not yield predictable long-term rules and regulations needed to achieve the flexibility in servicing the supply chain. CAFTA needs to be implemented with a focus on creating viable market conditions to support on-going and new operations to serve the U.S. and growing CAFTA economies. The agreement is based on creating a significant commercial framework to foster development. It will be critical that each government establish agile and commercially vibrant regulations during the life of the agreement.

Adding all this up, CAFTA creates a model that will permit the U.S.-Central American-Dominican textile and apparel trade partnership to thrive and grow. It creates both the predictability needed for investment, as well as the flexibility needed to accommodate the constant need for change demanded of this fashion-sensitive and consumer-oriented industry. In short, it does not repeat the mistakes of NAFTA, and it provides the U.S.-Central America-Dominican industries the tools they need to compete globally.

* * *

The status quo in the U.S.-Central American-Dominican trading relationship is not the answer for those of us who care deeply about economic growth, development and the rule of law in Central America, the Caribbean and throughout Latin America. Indeed, absent the change in rules that CAFTA provides, the situation will deteriorate, as the textile and apparel industry faces growing competitive pressures with which it cannot compete. The result will be the loss of jobs in the sector accounting for the second largest group of workers in these countries and a deteriorating economic situation.

CAFTA is a concrete step forward in our 20-year policy of economic engagement with the region. It is the next step in our relationship and one that will set important precedents for our economic engagement with the rest of Latin America. I urge the Members of this Subcommittee and the U.S. Congress to continue that engagement and approve and implement the CAFTA as soon as possible. Thank you.